

Rep. Brad Miller's Bankruptcy Reform Legislation Passes in the House; A Key Element of the *Helping Families Save Their Homes Act*

□

[Washington, D.C.] - Today, the U.S. House passed the *Helping Families Save Their Homes Act* by a vote of 234 to 191 which

included a bankruptcy provision written by

Rep. Brad Miller (NC-13)

to help prevent foreclosures on family homes. The bill would allow bankruptcy judges to modify mortgages by extending their term, reducing their interest rate, and in some cases, reducing the overall amount of the loan to the current market value of the home.

Under existing law, bankruptcy courts can make similar modifications to all other types of secured debt - including loans for vacation homes and investment properties - however a loophole in the law presently prevents them from modifying the terms of home loans. Closing this loophole in the bankruptcy law will make the Chapter 13 process more equitable to "underwater" borrowers. It will also spur lenders to provide voluntary loan modifications to borrowers who are trapped in unsustainable mortgages and facing foreclosure or bankruptcy.

"Most people lose their homes because of circumstances beyond their control - illness, job loss, divorce," said **Rep. Miller**. "We've been waiting for more than two years for lenders to make meaningful modifications and they haven't. Bankruptcy is a last resort for struggling families, but this bill is a powerful incentive for lenders to work with homeowners outside of bankruptcy."

The *Helping Families Save Their Homes Act* also reduces current fees that have discouraged lenders from voluntarily participating; protects lenders from lawsuits for reasonable loan modifications; and fixes the Federal Housing Administration's Hope for Homeowners Program.

Stabilizing the housing market is essential to restoring the American economy. Nationwide, home prices have declined by more than 20 percent since their peak in 2006. As a result, today, an estimated one in five homeowners owes more on their mortgage than their home is worth, and most cannot refinance.

The bill the House passed today represents the culmination of more than a year of negotiations and discussion with various interested parties, including key consumer advocates and representatives from the lending industry.

"I commend Citigroup for changing its view on this legislation after what has happened in the housing market and for playing a constructive role in the compromise," said **Rep. Miller**.

"I also congratulate the Center for Responsible Lending and the National Association of Consumer Bankruptcy Attorneys. They have been at the forefront of efforts to mitigate the foreclosure crisis from the outset; they were working on solutions back in early 2007, when many were still denying there was even a problem. It's no exaggeration to say that without their

tireless efforts, we might not be where we are today," **Miller** added.

To view Rep. Miller's remarks on the House floor today, go to:

<http://www.youtube.com/watch?v=MaZViZYYWFU&eurl=http://bradmiller.house.gov/>

###

□